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VENEZUELA: LOSING ITS LUSTRE

Having survived February 4's coup attempt, Carlos Andres Perez must calculate the implications for the remaining two years of his presidency. Civil-military issues will intrude on his administration to an unprecedented degree. With his credibility damaged CAP will need all his vaunted political skills to keep an already unpopular austerity program on track and fend off inevitable demands for increased social spending. CAP's preference for the international stage will be curbed by the need to demonstrate sustained interest in serious domestic problems. Leaders of the hemisphere's fledgling democracies trying to deal with civil-military tensions in times of economic austerity are carefully weighing the outcome in Caracas.

Welcome to the Neighborhood

CAP has joined the ranks of his Latin American colleagues who must keep a wary eye on the military. Venezuela's long legacy of stable civil-military relations emerged when the high command came to democracy's defense. Nonetheless, the depth of military discontent has been revealed. The president's challenge is to punish the rebels while addressing their legitimate complaints which are probably shared by many soldiers who remained loyal.

High standards of living for the Venezuelan military have contributed to the stable civil-military relations, and recent

Lot 98 D065
Box 5
P600 - Coup Attempt
1992

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assaults on those priviliges have taken its toll. Pay raises and more frequent consultations with military leaders are among CAP's likely choices for mollifying malcontents.

Lieutenant colonels led the coup. The high command's surprise indicates a woeful lack of intra-service communication that could, if it has not already, evolve into a horizontal split that would undermine the command-and-control necessary for civilian authority to prevail. The twenty military deaths produced by this internicene conflict will severly complicate reconciliation.

Tethering the Lame Duck

CAP cannot be reelected and was approaching lame-duck status. Cries for greated social spending were increasing given municipal elections in December, and CAP planned to finance increased expenditures with windfall revenues from privatizations and unexpectedly high growth. Opponents are now likely to link the turmoil with the social costs of economic reform and escalate further their demands.

CAP will probably salvage the essentials of his economic program, but he will have difficulties in congress, where many of his own party members oppose his economic reforms. The incentive to follow support CAP is small; a recent poll showed him enjoying less than 20% of the electorate's support, not an enviable

position in an election year. The coup's attempt's implications for stability may also have an impact on Venezuela's attractiveness to foreign investors who were an essential contributor of Venezuela's nearly 10 percent GDP growth last year.

Staying Home

CAP is likely to remain an enthuiastic but more circumspect international player. To retrieve credibility on domestic issues, he will have to curb both his travel and his penchant for arrogating to himself the role of regional spokesman. Nonetheless, CAP will probably continue to speak out on key regional issues and maybe become even more stirdent on the promotion and preservation of democracy. As in the past, he will rely in part for credibility on his relationship with President Bush.

It Could Happen to You

Neighboring presidents are likely to look on the events in Venezuela with trepidation. Each will note the uniqueness of Venezuela's situation, but none can afford to ignore how the combination of corruption, military discontent and generalized dissatisfaction born of social and eocnomic inequities exploded so unexpectedly. Where relations with militaries are already

strained, civilians are likely to take a second look at the impact of plans to reduce military budgets and influence. (CONFIDENTIAL)